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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970

No.

THE FIRESTONE TIRE & RUBBER COMPANY, *Petitioner*,

v.

THE GENERAL TIRE & RUBBER COMPANY, *Respondent*.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

The Firestone Tire & Rubber Company, the petitioner herein, prays that a writ of certiorari issue (1) to review the judgment of the United States Court of Appeals for the Sixth Circuit, filed on August 6, 1970, granting the respondent's motion to dismiss the appeal in the above-entitled case, No. 20594 in the Sixth Circuit, and (2) to review, before judgment in the Court of Appeals, the propriety of the action of the United States District Court for the Northern District of Ohio in reviewing and reversing the pre-transfer determination of the United States District Court for the District of Maryland that no fraud or misrepresentation had been practiced on the latter court.

OPINIONS BELOW

The opinion of the Sixth Circuit granting the motion to dismiss the appeal below is reported at 431 F.2d 1199. It is reprinted in Appendix A hereto, p. 1a, *infra*.

The memorandum opinion and order of the United States District Court for the Northern District of Ohio, entered on June 22, 1970, is not officially reported but is reprinted in Appendix B hereto, p. 3a, *infra*.

The pre-transfer opinion of the United States District Court for the District of Maryland is reported at 264 F. Supp. 291, and portions thereof are reprinted in Appendix C hereto, p. 16a, *infra*.

JURISDICTION

The order of the Sixth Circuit granting the motion to dismiss the appeal below was entered on August 6, 1970. No rehearing was sought. On timely application, Mr. Justice Stewart on October 29, 1970, ordered that the time within which this petition for writ of certiorari may be filed be extended to and including December 31, 1970.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1), which authorizes review by certiorari "before or after rendition of judgment or decree" by a court of appeals.

QUESTIONS PRESENTED

A federal district court, after a full hearing, determined that no fraud or misrepresentation had been practiced on that court by the plaintiff in a declaratory judgment action challenging the validity of a patent,

and hence declined to impose any sanctions. After the action had been transferred to a federal district court in another Circuit, the transferee court on the same record concluded that fraud and misrepresentation had been practiced on the transferor court and dismissed the declaratory judgment action as a penalty for the fraud. The Sixth Circuit declined to review that dismissal order on the ground that it was not final. The questions presented are:

1. Whether such an order of dismissal is deprived of finality, for purposes of an appeal pursuant to 28 U.S.C. § 1291, by virtue of (a) a consolidation of the patent issues for trial with those involved in another pending patent case between the same parties, and (b) the court's determination, after ordering dismissal, "to defer ruling on the matter of costs, attorneys' fees, and punitive damages until such time in the future as it will be appropriate."

2. Whether, as a matter of comity or law of the case, a transferee district court is precluded from reexamining and reversing a determination of the transferor district court that no fraud or misrepresentation had been practiced upon it, where (a) no new evidence or other reason is advanced in support of such reexamination, the record being identical to that before the transferor court, and (b) the transferor court's determination was based upon its evaluation of the credibility of witnesses before it and upon its own evaluation of whether it had been deceived.

STATUTES INVOLVED

United States Code, Title 28, § 1291:

> The courts of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court.

United States Code, Title 28, § 1404(a):

> For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.

STATEMENT OF THE CASE

On March 30, 1961, The Firestone Tire & Rubber Company filed a complaint in the federal district court in Baltimore, Maryland, seeking a declaration that U.S. Patent No. 2,964,083, owned by The General Tire & Rubber Company, is invalid and not infringed. This patent covered the use of oil-extended synthetic rubber in the tread of automotive tires. Originally, the Patent Office had refused to grant a patent on such an obvious use of old and known and unpatented materials. But Judge Holtzoff of the District Court for the District of Columbia, after a hearing, directed that a patent issue on such use. *General Tire & Rubber Co. v. Watson*, 184 F. Supp. 344 (D.C.D.C. 1960). Multiple litigation concerning the validity of the patent commenced shortly thereafter, generated by the effort of General to dominate the entire industry through the ownership and licensing of this important patent. As stated by the District Court below, the patent claims at stake affect

"virtually the entire rubber and tire industry and, indeed, the free world." Appendix B, p. 3a, *infra*.

The trial of Firestone's declaratory action, together with an infringement counterclaim filed by General, began in the federal district court in Baltimore in 1964. The trial proceedings, after continuing intermittently for nearly three years, were abruptly halted on January 11, 1967. On that date the Fourth Circuit advised Judge Watkins of the Baltimore federal district court that it was directing the transfer of entire case to the federal district court in Cleveland, where it would be available for consolidation for trial with a suit on the same patent against the United States Rubber Company.[1] *General Tire & Rubber Co.* v. *Watkins*, 373 F.2d 361 (4th Cir. 1967), certiorari denied, 386 U.S. 960 (1967). The transfer, ordered by writ of mandamus, was premised on considerations of forum non conveniens and of "effective administration and supervision of the courts of our [Fourth] circuit."

During the prolonged proceedings in Baltimore prior to the transfer, General made several efforts to secure the dismissal of Firestone's declaratory judgment action on grounds of fraud allegedly perpetrated by Firestone on the federal court in Baltimore. The only fraud charged was said to consist of nothing more than misrepresentations to the court concerning the status of

[1] The suit against the United States Rubber Company, brought by General, was settled prior to trial. The transferred Baltimore action was never formally consolidated with any pending suit in Cleveland. But General's suit against Firestone in the Cleveland court, the prosecution of which had been enjoined by the Baltimore federal court during the pendency there of the declaratory judgment action, was activated after the transfer and the lifting of the injunction. That suit by General is now at the trial stage in the Cleveland federal court.

a co-plaintiff, the McCreary Tire & Rubber Company, and the freedom of that co-plaintiff to participate in the action without reference to Firestone's interests. Firestone assertedly misrepresented to Judge Watkins of the Baltimore federal court that McCreary was an independent party and did so in order to prevent a transfer of the case to Cleveland, Judge Watkins allegedly being misled into the belief that the joinder of McCreary might prevent transfer to Cleveland.

Judge Watkins rebuffed the first such charge of fraud in December of 1965, ruling that Firestone had not misrepresented to him the facts concerning McCreary's status. A year later this charge was renewed and amplified in the course of General's attempt to secure from the Fourth Circuit a disqualification of Judge Watkins from further participation in the case. *General Tire & Rubber Company* v. *Watkins*, 363 F.2d 87, 89-90 (4th Cir. 1966), certiorari denied, 385 U.S. 899 (1966). But the Fourth Circuit there stated that any new evidence relative to the alleged fraud "should first be presented to the District Court, with a motion stating what relief is claimed," so that the District Court could "grant whatever relief may be appropriate." 363 F.2d at 90. After Judge Watkins had thus acted upon an amplified record, the Fourth Circuit indicated that it could then "entertain any issue appropriately brought up for review." 363 F.2d at 90.

The fraud charge was thereafter expanded and renewed for the third time before Judge Watkins, as the Fourth Circuit had suggested. It took the form of a "Renewed Motion to Transfer and Motion for Impositions of Sanctions and Assessment of Attorney Fees and Expenses." In effect, transfer of the case to Cleveland was sought as a sanction for the alleged

fraud that General charged had earlier been practiced on the Baltimore court. As later summarized by the Fourth Circuit, 373 F.2d at 367, "In a long and meticulous memorandum opinion filed . . . on October 17, 1966, . . . [Judge Watkins] reviewed the evidence concerning General's charges and found with Firestone on all points . . . . The court [Judge Watkins] thereupon denied the motion to transfer on the grounds that there was no attempt to practice fraud on the court and that in any event the court was not deceived about McCreary's relationship to its co-plaintiffs."[2] *Firestone Tire & Rubber Co.* v. *General Tire & Rubber Co.*, 264 Supp. 291 (D. Md. 1966); see Appendix C, p. 16a, *infra*. Judge Watkins, in finding that no fraud had been perpetrated on him, relied heavily upon the candor and general demeanor of the several witnesses who appeared before him to testify about the events in question. See Appendix C, p. 21a, *infra*. And he also relied upon his own awareness and knowledge of matters that General claimed had been concealed from him. See Appendix C, p. 24a, *infra*.

General immediately filed another mandamus petition in the Fourth Circuit, seeking to obtain an order

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[2] At the conclusion of his opinion, 264 F.Supp. at 301, Appendix C, pp. 25a-26a, *infra*, Judge Watkins made six "general and ultimate" findings of fact, including the following:

"1. McCreary was an independent party throughout the entire period herein involved and still is an independent party.

"2. McCreary agreed to and in fact did bear its proportionate share of the cost of litigation.

• • • • • •

"5. No fraud, serious or otherwise, has been practiced upon the Court by the plaintiffs.

"6. There has been no effort by plaintiffs to practice fraud upon the Court."

directing Judge Watkins to dismiss the complaint or to transfer the action to Cleveland. The entire petition concerned itself with the alleged fraud and misrepresentation, detailing General's contentions that Judge Watkins—despite his contrary ruling—had been deceived by Firestone. Transfer was sought solely as an alternative penalty for the alleged fraud.

The Fourth Circuit, sitting *en banc*, granted the petition for mandamus. But the court did not act upon the charge of fraud. Instead, in *sua sponte* fashion, the Fourth Circuit directed that the case be transferred to the federal court in Cleveland, where it would be available for consolidation with General's action against the United States Rubber Company. *General Tire & Rubber Company* v. *Watkins*, 373 F.2d 361 (4th Cir. 1967). In making that direction, the Fourth Circuit did not rely on General's claim that transfer was required as an alternative sanction for the alleged fraud. Reliance was placed, instead, on considerations of "the effective administrative and supervision of the courts of our circuit" and on considerations of forum non conveniens.

While the Fourth Circuit's opinion set forth in detail the facts that General had alleged to be indicative of the fraud, the court did "not feel it advisable at this stage of the lawsuit to pass on the district court's findings and conclusions with respect to General's contentions of bad faith and misrepresentation to the court." 373 F.2d at 368. It added that "Without denigrating the importance of these issues in the ultimate assessment of costs between the parties, we think their resolution in favor of Firestone should not have been determinative of the motion to transfer" and that Judge Watkins' "preoccupation therewith caused . . . [him]

to overlook completely the factor which should have controlled the decision . . . the complete change of conditions which had taken place since the motion [to transfer] was originally denied." 373 F.2d at 368. That change in conditions was said to be the availability of the Baltimore case for consolidation with a Cleveland suit involving the same patent.

Pursuant to the mandamus writ, Firestone's declaratory judgment action was duly transferred from the federal district court in Baltimore to the federal district court in Cleveland. Included in the transfer were all the testimony, the exhibits, the pleadings, the motions, the briefs and memoranda, and the rulings and orders of Judge Watkins, plus the appellate rulings of the Fourth Circuit. Thus transferred were the 1965 and 1966 rulings of Judge Watkins to the effect that Firestone had in no way committed any fraud or deceived the court.

Some time after this transfer, General filed in the federal district court in Cleveland a motion to dismiss Firestone's declaratory judgment action.[3] This motion, the fifth of its kind filed by General, was bottomed on the same charges of fraud and misrepresentation that had been examined and rejected by Judge Watkins. Upon the same record as was before Judge Watkins and without hearing any additional evidence, relying solely on the transferred record plus oral arguments

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[3] Firestone, at about the same time, filed a motion to dismiss the long-dormant but now revived patent infringement suit brought by General in the court in Cleveland. Firestone alleged patent misuse on the part of General. The court denied that motion and, since it is not relevant to the matters raised in this petition, that portion of the District Court opinion dealing with Firestone's motion to dismiss has been omitted from Appendix B hereto.

and briefs, Judge Battisti of the Cleveland federal court granted this motion to dismiss and ordered that the declaratory judgment action be "dismissed."[4] See Appendix B, p. 14a, *infra*. The critical portions of the opinion declaring the action dismissed read as follows:

> . . . General's further contention that the Baltimore case should be dismissed has considerable merit. The district court has discretion to exercise jurisdiction in a declaratory judgment action. Factors which may be considered are: (1) whether hearing the declaratory judgment action would eliminate uncertainty between the parties, (2) whether the plaintiff's legal rights would be adequately protected if it were not heard, and (3) equitable defenses including the conduct of the parties. 3 Baron and Holtzoff, *Federal Practice and Procedure* 1266 (1958); *Abbott Laboratories* v. *Gardner*, 387 U.S. 136 (1966).
>
> The Court will consider Firestone's defenses [as to the patent in suit] in the Cleveland case. Therefore, any uncertainty will be disposed of therein, and Firestone will be adequately protected because it retains the right to contest the validity of General's patent and to contest infringement. The inequitable conduct of Firestone in misrepresenting the status of McCreary in Baltimore is a clear-cut case of unclean hands. For the foregoing reasons, the Baltimore case is ordered dismissed. See *Lumberman's Mutual Casualty Co.* v. *Quick*, 257 F. Supp. 252 (1966). All defenses, and all litigable issues therein, will be consolidated into the Cleveland case. The parties may enter into the Cleveland case the relevant portions of the Baltimore record. The parties may agree on the most expeditious means of making the Cleveland record.

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[4] The court's order did not mention, let alone dismiss or otherwise dispose of, General's infringement counterclaim.

After thus ordering the dismissal of the declaratory judgment action, Judge Battisti added the following comments concerning the matter of costs, attorneys' fees and punitive damages relative to the proceeding that he had ordered be dismissed:

> The Court deems it to be the wisest course to defer ruling on the matter of costs, attorneys' fees, and punitive damages until such time in the future as it will be appropriate. It goes without saying that the Court considers the fraud which it has found to be a very serious breach of professional ethics. The question of costs is, however, a very delicate area. To go into it now would serve only to exacerbate the feelings of the parties. It must be remembered that the Court finds fraud in misrepresentation of the status of a party; the facts were insufficient to find a conspiracy to obstruct justice.

Judge Battisti's opinion sets forth the slim elements which he felt constituted fraud and misrepresentation in the earlier proceedings before Judge Watkins, elements which had been thoroughly canvassed by Judge Watkins himself. In so doing, Judge Battisti recognized that normally one judge does not consider a point previously decided before transfer by another judge of coordinate jurisdiction. But he felt that in this situation there was a "compelling reason to reopen and reconsider the allegations of fraud." That reason emerged from Judge Battisti's reading of the opinion of the Fourth Circuit directing the transfer (373 F.2d 361). The judge interpreted that opinion as an open invitation to the transferee court to "reconsider" Judge Watkins' findings and conclusions as to the absence of fraud; and the opinion was further read as expressive of the Fourth Circuit's intention that the

case be transferred to Cleveland "unbound by prior determinations." See Appendix B, p. 7a, *infra*.

Firestone thereupon filed a notice of appeal from the judgment dismissing its declaratory judgment action. Even before the appeal was docketed in the Sixth Circuit, General filed a motion to dismiss the appeal for lack of jurisdiction, alleging that the order of dismissal was not a final order within the meaning of 28 U.S.C. § 1291 inasmuch as (1) all patent claims and defenses in the Baltimore case had been consolidated for trial with the Cleveland infringement action, from which no appeal has been or could now be taken, and (2) Judge Battisti, while finding fraud, left unresolved the matters of damages, attorneys' fees and costs until some future date.

The Sixth Circuit stated that "We agree" and granted the motion to dismiss. It could "perceive no serious injustice that would result from delaying review of the District Judge's order until a final adjudication of the merits of this controversy." The Sixth Circuit further stated that since the issues of the Baltimore case had been "consolidated" into the Cleveland case, the fraud adjudication "therefore was preserved for appeal at the appropriate time."[5] Appendix A, pp. 1a-2a, *infra*.

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[5] The Sixth Circuit simultaneously refused in No. 20631 to issue a writ of mandamus to compel Judge Battisti either to dismiss the Cleveland case on grounds of patent misuse or to permit Firestone to prosecute an interlocutory appeal on that matter under 28 U.S.C. § 1292(b). That portion of the Sixth Circuit's judgment is not a subject of the instant petition.

REASONS FOR GRANTING THE WRIT

The Sixth Circuit by its decision has transformed what should have been a simple exercise in asserting jurisdiction over an appeal from a final judgment of dismissal into the rendition of a precedent that is confusing, unsettling and contradictory of the relevant decisions of this Court, as well as of other Circuits. On that basis alone, the judgment below deserves review and correction by this Court. And in according such review, this Court is given the opportunity to shed additional and much needed light on finality, a problem that constantly plagues the federal courts.[6]

This finality problem, moreover, arises in the context of an inter-Circuit transfer of a complex patent suit. The order that the Sixth Circuit deemed non-final relates to the action of a transferee district court in the Sixth Circuit in reviewing and reversing a ruling of a transferor district court in the Fourth Circuit. That ruling, by virtue of the rules of comity and law of the case, should have commanded the respect of the transferee court and should have been reviewable only by the Sixth Circuit. The important problems thereby raised as to the relitigability of transferred rulings reflect matters of substantial concern in the administration of federal cases transferred under 28 U.S.C. § 1404(a) from one district or Circuit to another. Available but unpublished statistics of the Administra-

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[6] What was said in 1892 by this Court remains true today as to the finality problem in the lower federal courts: "Probably no question of equity practice has been the subject of more frequent discussion in this court than the finality of decrees . . . . The cases, it must be conceded, are not altogether harmonious." *McGourkey v. Toledo & Ohio Cent. R. Co.*, 146 U.S. 536, 544-545 (1892). That statement was repeated in *Dickinson v. Petroleum Conversion Corp.*, 338 U.S. 491, 511 (1950).

tive Office of the United States Courts indicate that there are growing numbers of transfers of civil cases within the federal court system. Thus in the last three fiscal years, these statistics show:

Fiscal year	Total number of civil cases filed in federal district courts	Number of cases transferred from one court to another
1968	71,449	790
1969	77,193	869
1970	87,321	1,115

With transfers thus increasing, it becomes important that the lower courts be advised as to the basic rules that should guide them in determining whether to reconsider or to accept rulings made prior to transfer by a judge of coordinate jurisdiction in the transferor court. This Court has not had occasion to determine such guidelines. This case, involving as it does factors that are basic, urgent and universal in impact, provides an appropriate vehicle for the establishment of meaningful transfer guidelines.

I. THE IMPORTANT FINALITY PROBLEMS THAT DESERVE REVIEW

The short opinion of the Sixth Circuit contains several fundamental misconceptions about the federal finality rule, misconceptions that are generated by a refusal to abide by the relevant decisions of this Court.

A. The conflict with the rule as to dismissals

While "it is impossible to devise a formula to resolve all marginal cases coming within . . . the 'twilight zone' of finality," *Gillespie* v. *United States Steel Corp.*, 379 U.S. 148, 152 (1964), one elemental principle that has never before been challenged is that "an order that

dismisses the entire action is clearly final and appealable, even if the dismissal is without prejudice." 9 Moore's Federal Practice ¶ 110,13[1], p. 152 (2d ed. 1970). That principle was recognized over a century ago by this Court, and repeatedly reiterated. *French* v. *Shoemaker*, 12 Wall. 86, 98 (1870); see also *Wecker* v. *National Enameling Co.*, 204 U.S. 176, 181-182 (1907); *United States* v. *Wallace & Tiernan Co.*, 336 U.S. 793, 794-795, n. 1 (1949). It has consistently been followed by the lower courts. See, e.g., *Henderson* v. *Richardson Co.*, 25 F.2d 225 (4th Cir. 1928); *Sosa* v. *Royal Bank of Canada*, 134 F.2d 955, 956 (1st Cir. 1943); *Rinieri* v. *News Syndicate Co.*, 385 F.2d 818, 821 (2d Cir. 1967).

But the Sixth Circuit has now turned its back on this heretofore universal principle. Contrary to the uniform line of decisions in this Court and in other Circuits, the court below has refused to give effect, for purposes of 28 U.S.C. § 1291, to a district court order that dismissed the entire declaratory judgment action instituted by Firestone. That dismissal order, which was decreed as a sanction for the fraud and misrepresentation attributed to Firestone, left nothing to be done in order to effectuate a total and complete dismissal of the action. In no sense could it be said to be "tentative, informal or incomplete," or "open, unfinished or inconclusive"; rather, the district court's determination to impose the sanction of dismissal "was concluded and closed and its decision final in that sense before the appeal was taken." *Cohen* v. *Beneficial Loan Corp.*, 337 U.S. 541, 546 (1949).

The Sixth Circuit attempted to read into this final dismissal order an interlocutory characteristic and to label Firestone's appeal from that final order as "piece-

meal" in nature. It did so by treating the dismissal order as but an interim step in the proceeding before the district court in Cleveland that some day will produce a final adjudication of the merits of the controversy concerning the validity and infringement of the patent in question. But that view of the dismissal order is untenable. The order of dismissal related solely to the declaratory judgment action that Firestone had originally instituted in Baltimore, whereas the final adjudication of the patent dispute will occur in a related but entirely separate proceeding brought by General in Cleveland. There has never been a formal consolidation of the two proceedings, and the dismissal of the Baltimore case has made any such consolidation a moot possibility.

Obviously, nothing that can be decided in the Cleveland patent suit as to validity or infringement can alter the scope or impact of the order dismissing the Baltimore action. And the so-called "consolidation" into the Cleveland patent suit of the patent issues and defenses raised by Firestone in the Baltimore declaratory judgment action cannot make the dismissal of the Baltimore proceeding any less complete; such a "consolidation" was one of issues rather than of lawsuits or causes of action, and it served merely to make the fraud sanction of dismissal somewhat less harsh. Thus when Judge Battisti stated that he "will consider Firestone's defenses in the Cleveland case . . . any uncertainty will be disposed of therein, and Firestone will be adequately protected because it retains the right to contest the validity of General's patent and to contest infringement," he did not detract from his findings of fraud or from the sanction he imposed—"the Baltimore case is ordered dismissed." See Appendix B, p. 14a, *infra*.

Thus neither the fraud adjudication nor the dismissal order will meld into the final adjudication of the patent controversies in the Cleveland proceeding, patent controversies that are entirely unrelated to the matters involved in the fraud determination. The dismissal order will be neither more nor less final because of the manner in which the patent validity and infringement issues are resolved. Indeed, the finality of the dismissal order is emphasized by its immediate and serious impact upon Firestone and one of its Baltimore attorneys. The Sixth Circuit purported to "perceive no serious injustice" to Firestone resulting from the forced delay in appealing from the dismissal order. But the reputations of Firestone and its affected Baltimore counsel became seriously impaired from the moment that the trial court found them guilty of fraud, misrepresentation and "a very serious breach of professional ethics." Appendix B, p. 14a, *infra*. And that impairment almost daily continues to deepen and to injure those involved, without any hope of alleviation by awaiting the eventual resolution of the patent validity and infringement issues.[7] As was said in a substantially similar situation, *Barr Rubber Products Co.* v. *Sun Rubber Co.*, 425 F.2d 1114, 1120-1121, n. 10 (2d Cir. 1970):

> Further, the potential damaging impact the decision below is likely to have on the business and social reputations of the witnesses is another substantial hardship that Sun and its people have been made to endure.

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[7] Compare *Gillespie* v. *United States Steel Corp.*, 379 U.S. 148, 153 (1964), where it was said: "Moreover, delay of perhaps a number of years in having the brother's and sisters' rights determined might work a great injustice on them . . ."

Indeed, the placing of a "fraudulent" label on Firestone can only have a prejudicial effect upon its status as a party to the patent litigation that is now at a trial stage; its evidence and its arguments are bound to be denigrated as emanating from a party adjudged guilty of fraud. And by thus being forced to appeal from and to seek the overturning of the findings of fraud, Firestone has lost all the appellate advantages that would have accrued to it had it been left in the position of defending the no-fraud findings of Judge Watkins and the substantial evidence supporting those findings.

Certainly a dismissal order that is premised upon final and completed findings so destructive of corporate and professional reputations should be considered final if for no other reason than to give the injured parties the chance to challenge and to secure a reversal of such findings at the earliest opportunity. But the complete absence of any nexus between the fraud issue and the patent issues makes spurious the Sixth Circuit's notion that the uncompleted patent litigation somehow rendered the fraud order interlocutory.

It need only be added that the finality of the dismissal sanction was in no way compromised by the possibility that additional sanctions, in the form of costs, attorneys' fees or punitive damages, might some day be imposed. The major and reviewable sanction was the dismissal of the Baltimore case, and it was accompanied by complete and reviewable findings as to the alleged fraud. The sanction and the findings are a reviewable unit under the finality rules established by this Court.

We are thus left with a final judgment of dismissal that has concluded and closed the issues of fraud and

misrepresentation. The studied refusal of the Sixth Circuit to recognize the finality of that judgment and to accord the injured parties a forum in which to challenge the judicial impairment of their reputations can only be viewed as a serious undermining of the finality doctrine. Left unreviewed and uncorrected, the decision below will likely have an impact far beyond the confines of this particular proceeding. It will then stand as an open invitation to other courts of appeals, who must constantly struggle with problems of finality, to ignore the often difficult task of balancing the established and competing principles of finality in favor of a simple rejection of an appeal wherever further proceedings between the parties are pending, however unrelated those proceedings may be. And at the very least, the decision below stands as an open defiance of the established principle that a dismissal of an entire action is clearly final and appealable under 28 U.S.C. § 1291.

B. The conflict with the Cohen rule

Even if the Sixth Circuit were correct in assuming that the dismissal of the Baltimore case could conceptually and practically be fitted into the pending Cleveland patent case, its decision declining jurisdiction over the appeal from the dismissal order would be at war with the principles established by this Court in *Cohen* v. *Beneficial Loan Corp.*, 337 U.S. 541 (1949). The *Cohen* decision formulated the most important exception to the final judgment rule, an exception that relates to that "small class [of orders] which finally determine claims of right separable from, and collateral to, rights asserted in the action, too important to be denied review and too independent of the cause itself to require that appellate consideration be de-

ferred until the whole case is adjudicated." 337 U.S. at 546. See also *Swift & Co. Packers* v. *Compania Colombiana Del Caribe*, 339 U.S. 684, 688-689 (1950).

The dismissal order in this case was clearly appealable under the *Cohen* standards, which are three in number:

1. The order must be a final determination of a claim of right "separable from, and collateral to, rights asserted in the action." 337 U.S. at 546. Here, of course, there was a final determination of the claims of fraud and misrepresentation, claims that were entirely separable and collateral with respect to the patent validity and infringement claims asserted in the main action.

2. The order in question must be "too important to be denied review" in the sense that it "presents a serious and unsettled question." 337 U.S. at 546-547. In this case, the order dismissing the declaratory judgment action gives rise to at least two serious and unsettled questions: (a) the legal propriety of Judge Battisti's re-examination and reversal of Judge Watkins' rulings, made prior to the transfer of the case from Baltimore to Cleveland and left unreviewed and unreversed by the Fourth Circuit, that no fraud had been committed and that Judge Watkins had not been deceived by Firestone,[*] and (b) the serious question as to the accuracy of the facts and the propriety of the conclusions of fraud set forth in Judge Battisti's memorandum opinion.

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[*] Judge Battisti himself recognized the serious problem raised by attempting to reconsider, and to reverse, a pretransfer ruling by a judge of coordinate jurisdiction. Appendix B, pp. 4a-8a, *infra*. This problem constitutes the second question presented by this petition and is more fully discussed under Point II of the Reasons for Granting the Writ, p. 24, *infra*.

3. The review of the order in question cannot await final judgment of the other matters in the case because "when that time comes, it will be too late effectively to review . . . the order and rights conferred . . . will have been lost, probably irreparably." 337 U.S. at 546. In the instant situation, there has been judicial condemnation of Firestone and one of its Baltimore counsel for having indulged in what Judge Battisti described as fraudulent and deceitful representations to Judge Watkins. To force Firestone and such counsel to defer their appeal rights until the unrelated patent issues are resolved may well cause the injuries to their reputations to become more extensive if not irreparable. Review of the fraud issue at an indeterminate time in the future may be too late to dissipate the effects of the fraud determination should an appellate court deem that determination to have been unwarranted.

Here, then, is a classic case for the application of the *Cohen* principles. The Sixth Circuit's description of the attempted appeal as "piecemeal" in nature and its inability to perceive any ill effects from delaying the appeal serve only to emphasize the conflict of the decision below with the *Cohen* principles. That court's refusal to acknowledge the finality of the fraud determination and the separability of the fraud claim from the patent claims can only jeopardize the stature of the *Cohen* principles in the lower courts.

C. The conflict with the Forgay rule

Over 120 years ago this Court established the proposition that even an interlocutory judgment is subject to appeal if the decree finally decides the right in contest and leaves open only the adjustment by further decree of the accounts between the parties, pursuant to

the judgment rendered. *Forgay* v. *Conrad*, 6 How. 201, 204-205 (1848). See also *Thompson* v. *Dean*, 7 Wall. 342 (1868); *Carondelet Canal Co.* v. *Louisiana*, 233 U.S. 362 (1914); *Radio Station WOW* v. *Johnson*, 326 U.S. 120 (1945). In other words, if the subsequent accounting between the parties is largely ministerial in nature or does not truly affect the resolution of the claim in question, the order that finally settles that claim is appealable—at least where a deferral of an appeal would make the losing party's right of appeal "of very little value" and such party "may be ruined before he is permitted to avail himself of the right." *Forgay* v. *Conrad*, 6 How. at 205.

The Sixth Circuit has stated that "We agree" with General's motion to dismiss the appeal on the ground that the dismissal of the Baltimore action was not a final order; and to that extent the Sixth Circuit has expressed agreement with the major argument advanced in General's motion that finality was destroyed by the indefinite postponement of the matters of costs, attorneys' fees and damages. But application of the *Forgay* rule would render the dismissal order appealable despite the reservation of such ministerial items as costs and attorneys' fees. There is no question but that the District Court rendered a final and complete adjudication of the fraud issue and that the affected parties "may be ruined" and their appeal rights rendered "of very little value" if they must defer their appeal "until such time in the future as it will be appropriate." Appendix B, p. 14a, *infra*. And what time is considered "appropriate" is a matter left solely to the discretion of Judge Battisti.

Moreover, even if these collateral items—particularly the vague threat of punitive damages—be deemed of more than ministerial nature, they can only be con-

ceived of as additional sanctions for the adjudicated fraud and misrepresentation. In that event, the fully completed adjudication of the fraud, bearing with it the completed sanction of dismissal of the Baltimore case, would permit the dismissal order to be appealed in accordance with the *Cohen* principles.

The Sixth Circuit's refusal to acknowledge or apply the *Forgay* principles substantially adds to the confusion cast over the finality doctrine by the decision below. Combined with the conflicts with decisions as to final dismissals of entire actions and with the *Cohen* principles of appealability, this refusal to apply basic concepts of finality has resulted in a serious injustice to Firestone. And as a precedent for ignoring such concepts, the decision stands as a serious threat to all parties who in the future may need to appeal from such injurious orders in order to protect their reputations, their property or other of their valued rights.

Certain sentiments expressed by Professor Moore in his definitive treatise on federal practice bear repeating here, being fully applicable to the Sixth Circuit's action on the appeal below, 9 Moore's Federal Practice ¶ 110.07, pp. 109-110 (2d ed. 1970):

> Sound as the final judgment rule may be as a rule of general application, it will work injustice if inexorably applied, and in truth it is subject to many qualifications and exceptions. Then also, to be workable the final judgment rule must be sufficiently definite that it can be understood and applied with considerable certainty . . . And if the final judgment rule is uncertain of application it will breed appeals by litigants uncertain of their rights but properly zealous of protecting them. . . . Appellate courts are spending far too much time in determining whether to hear cases when this time would be better spent on the merits of cases presented to them.

II. THE IMPORTANT TRANSFER PROBLEMS THAT DESERVE REVIEW

A. Reasons for granting certiorari before judgment

Petitioner requests that certiorari issue before judgment by the Sixth Circuit, the appeal below having been docketed in that court, to review the propriety of Judge Battisti's action in reviewing and reversing the determination of Judge Watkins that no fraud had been practiced on him, i.e., Judge Watkins. That issue, in the context of this case, "is of such imperative public importance as to justify the deviation from normal appellate processes and to require immediate settlement in this court." Rule 20 of the Rules of this Court.[9]

Such importance attaches here not only because this proceeding arises out of "a mamouth case involving patent claims which have affected virtually the entire rubber and tire industry of the United States and, indeed, the free world," Appendix B, p. 3a, *infra*, but

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[9] The transfer here was from a district court in the Fourth Circuit to a district court in the Sixth Circuit. The Fourth Circuit itself had already indicated that it "did not feel it advisable at this stage of the lawsuit to pass on the [Baltimore] district court's findings with respect to General's contentions of bad faith and misrepresentation to the court." 373 F.2d at 368. But Judge Battisti of the Cleveland district court felt no such inadvisability. Thus there exists a conflict between the Fourth Circuit and the District Court for the Northern District of Ohio as to the advisability of reviewing Judge Watkins' findings at this point. While the Sixth Circuit could resolve that conflict by reversing Judge Battisti's ruling, the immediate and continuing ill-effects of that ruling make it appropriate for this Court to resolve immediately the dispute between courts in different Circuits respecting the propriety of relitigating an issue resolved prior to an inter-Circuit transfer. Nothing that the Sixth Circuit can say will make the establishment of definitive transfer guidelines for all federal courts any less imperative.

because the adjudication of fraud by Judge Battisti has a significant and unsettling effect upon the course of that patent litigation and upon the reputations of those adjudged to be the perpetrators of the fraud. Moreover, the expanding numbers of inter-court transfers in the federal court system, see p. 14, *supra*, lend an "imperative public importance" to the early formulation of guidelines for federal courts to follow in determining what types of pre-transfer decisions may properly be relitigated by the transferee tribunals. Resolution of those standards would tend to clarify and thus expedite the proper administration of these numerous transfer cases.

B. The establishment of transfer guidelines

Judge Battisti himself recognized the nature of the problem implicit in his action, citing Professor Moore's statement that "Ordinarily one judge does not consider a point previously decided by another judge of coordinate jurisdiction, and hence such pre-transfer rulings should ordinarily stand." 1B Moore's Federal Practice ¶ 0.414[8], p. 536 (2d ed. 1965). And indeed such a refusal to reconsider prior rulings is the usual rule in the lower courts, particularly where the issue and the record are precisely the same and no jurisdictional issue is involved. *Poster Exchange, Inc.* v. *National Screen Service Corp.*, 362 F.2d 571, 574 (5th Cir. 1966); *In re Hines*, 88 F.2d 423, 425 (2d Cir. 1937); *Pacific-Atlantic Steamship Co.* v. *United States*, 127 F. Supp. 931, 932-933 (D.Del. 1955); *Dalzell* v. *The St. Nicholas*, 109 F. Supp. 595, 597-598 (S.D.N.Y. 1951). That rule, that refusal to consider such prior rulings upon request of the original losing party, is considered to be a matter not of jurisdiction but of comity or law of the case.

But the premises of Judge Battisti's action, as well as other factors involved in the instant situation, reflect the absence of any definitive guidance from this Court as to when such prior rulings may properly be ignored or readjudicated. And it is precisely those premises and factors that concern matters of substantial importance in the efficient administration of federal cases transferred from one district court to another. In essence, the questions of universal concern raised by the action below are:

(1) Where, as here, the transferee judge is requested to pass upon the identical non-jurisdictional issue resolved by the transferor court, utilizing the same record and with no new facts or considerations before the transferee judge, should not reconsideration of the matter be considered foreclosed? Should not the law enunciated by the transferor judge be "followed, upon similar facts, until a different rule is laid down by a court of superior jurisdiction"? *In re Hines*, 88 F.2d 423, 425 (2d Cir. 1937). A negative answer to those questions might involve a breach of comity "which, if sanctioned, could only lead to unseemly conflicts of decision and to protracting the litigation." *Ibid.*

(2) Where the transferor judge, as here, has rendered a ruling on a matter peculiarly within his competence, should not the transferee judge be compelled to respect that ruling, absent the most compelling of circumstances? In this instance, the central issue decided by Judge Watkins was whether he personally had been deceived or misled by any alleged misrepretation or fraudulent statements made on behalf of Firestone. Not only did Judge Watkins determine that he himself had not been deceived, but in ruling that Firestone was not guilty of fraud he relied heavily upon the

demeanor and the apparent candor of the witnesses who appeared before him, and upon his personal reactions to the alleged misrepresentations—factors which could not be reproduced on the cold record submitted to Judge Battisti nine years after the statements in question. Such a subjective ruling, such factual findings and conclusions, should be considered binding on the transferee judge of coordinate jurisdiction.

(3) Should reconsideration be permitted because, as Judge Battisti stated (p. 8a, *infra*), the transferor judge's ruling was interlocutory in nature? Virtually any order entered prior to transfer is interlocutory, but it seems doubtful if that status can be decisive of the propriety of relitigation. Any such order of an interlocutory nature "made before transfer, is within the jurisdiction of the court of appeals of the circuit to which the cause has been transferred." *Magnetic Engineering & Mfg. Co.* v. *Dings Mfg. Co.*, 178 F.2d 866, 870 (2d Cir. 1950). Hence it is unnecessary for the transferee district court to act as a reviewing body with respect to the interlocutory orders of the transferor court. Indeed, such action by the transferee court amounts to a usurpation of the appellate function and may result in a critical shift in the burden of appellate persuasion. As Chief Judge Leahy of the Delaware district court has stated, *Gulf Research & Development Co.* v. *Schlumberger Well Surveying Corp.*, 98 F. Supp. 198, 201 (D. Del. 1951):

> I do not think it meet or proper that I review Judge Harrison's decision on the merits. To do so would be a usurpation of the appellate function. . . . It is now for an appellate court—not for me—to correct any error, if error there be, in his [the transferor judge's] opinion. It is not only the principle of comity and the fact that Judge

> Harrison's opinion may be likened, at this stage, to the "law of the case" which compels me to this conclusion, but, what seems of most importance to me are considerations for the orderly functioning of the judicial process.

(4) Should not the burden be upon the party seeking reconsideration of a pre-transfer ruling to demonstrate overwhelming reasons why the ruling should be reviewed? And can that burden ever be met absent a showing of new evidence or fraud in the inducement of the prior ruling? Suffice it to say that no such burden was here placed on General; and General made no showing that new evidence or new considerations justified reconsideration.

(5) Can a federal court of appeals that has mandamused the transfer of a case to a district court in another Circuit direct or invite that district court to reexamine or reverse an earlier ruling of the transferor district court? While a fair reading of the Fourth Circuit's ruling at 373 F.2d 361 reveals no such direction or invitation, Judge Battisti read that ruling as one that "essentially cancels the findings of the Baltimore court on the fraud issue and invites a reconsideration of the allegations by this transferee court" (Appendix B, p. 5a, *infra*), and as reflective of an intention "to transfer this case unbound by prior determinations" (Appendix B, p. 7a, *infra*). Assuming that such interpretation by Judge Battisti of the Fourth Circuit's intentions is correct, a most serious question of federal judicial administration is raised. Does a court of appeals have the power or the discretion to direct a district court in another Circuit to reconsider an issue already resolved prior to transfer? Is such a district court compelled to accept such a direction,

or is it free to ignore the invitation or command? Can a court of appeals order a transfer "unbound by prior determinations"? Does not such a transfer upon such a condition improperly usurp the reviewing power of the court of appeals of the Circuit to which the transfer is made? These are most troublesome questions that need answers by this Court.

These, then, are among the ingredients supplied by this case that will permit this Court to establish and formulate guidelines for all federal courts to follow in treating the ruling of transferor courts made prior to transfer.

CONCLUSION

For these various reasons, this petition for a writ of certiorari should be granted. This Court should review both the ruling of the Sixth Circuit that the dismissal order was non-final and non-appealable and the propriety of Judge Battisti's reexamination and reversal of Judge Watkins' determination that no fraud had been practiced on him, i.e., Judge Watkins.

Respectfully submitted,

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APPENDIX A

Nos. 20,594-20,631

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

Order

[Filed Aug. 6, 1970]

THE FIRESTONE TIRE & RUBBER CO., *Petitioner-Appellant*

- VS -

THE GENERAL TIRE & RUBBER CO., *Respondent-Appellee*

THE FIRESTONE TIRE & RUBBER CO., *Petitioner-Appellant*

- VS -

HONORABLE FRANK J. BATTISTI, *Respondent-Appellee*

Before: EDWARDS, McCREE, and BROOKS, Circuit Judges.

In these cases, which we have consolidated because of their common factual background, we consider a motion to dismiss (No. 20594) and a petition for a writ of mandamus (No. 20631).

In case number 20594, appellant seeks review of an order of the District Judge adjudicating it guilty of perpetrating a fraud upon the federal District Court in Baltimore, Maryland. Appellee General Tire has filed a motion to dismiss on the ground that the District Judge's order is not a final order within the meaning of 28 U.S.C. § 1291 and that this court therefore lacks jurisdiction to review the order at this time. We agree. In determining whether an order is "final", we must balance the "competing considerations [of] 'the inconvenience and costs of piecemeal review on the one hand and the danger of denying justice by delay on the other' ". *Gillespie* v. *United States Steel Corp.*, 379 U.S. 148, 152-53 (1964), quoting from *Dickinson* v. *Petroleum Conversion Corp.*, 338 U.S. 507, 511 (1950). In the present case, we can perceive no serious injustice that would result from delaying review of the District Judge's order until a

final adjudication of the merits of this controversy. On the other hand, proceeding to trial without the interference of an appeal will hasten the termination of this already protracted piece of litigation. Moreover, although the District Judge stated that he was dismissing the Baltimore case, he "consolidated" the issues of that case into the Cleveland case. The fraud adjudication therefore was preserved for appeal at the appropriate time.

In case number 20631, appellant asks that we issue a writ of mandamus directing the District Judge either to reverse his ruling on the issue of patent misuse and to dismiss the Cleveland case, or to certify that appellant should be permitted to prosecute an interlocutory appeal on this issue pursuant to 28 U.S.C. § 1292(b). The first alternative is a transparent attempt to substitute a writ of mandamus for an appeal and we reject it as being entirely without merit. We also decline to issue a writ of mandamus directing the District Judge to certify an interlocutory appeal. We do not consider his refusal to certify an interlocutory appeal "a clear abuse of discretion or usurpation of judicial power" warranting the issuance of an extraordinary writ pursuant to our authority under 28 U.S.C. § 1651(a). *University National Stockholders Protective Committee* v. *University National Life Insurance Co.*, 328 F. 2d 425, 426 (6th Cir. 1964); *Benton Harbor Malleable Industries* v. *International Union, United Automobile, Aircraft and Agricultural Implement Workers of America*, 355 F. 2d 70 (6th Cir. 1966).

Accordingly, appellee's motion to dismiss the appeal in case number 20594 will be, and it hereby is, granted. Also, the petition for a writ of mandamus in case number 20631 will be, and it hereby is, denied. Finally, appellant's requests for a stay of all proceedings in the District Court will be, and they hereby are, denied.

Entered by order of the court

/s/ CARL W. REUSS
Clerk

APPENDIX B

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

Civil No. 36799

GENERAL TIRE & RUBBER COMPANY, *Plaintiff*

v.

FIRESTONE TIRE & RUBBER COMPANY, *Defendant*

Civil No. C/67-206

FIRESTONE TIRE & RUBBER COMPANY, *Plaintiff*

v.

GENERAL TIRE & RUBBER COMPANY, *Defendant*

MOTIONS BY GENERAL TO DISMISS FOR FRAUD IN C 67-206 AND BY FIRESTONE TO DISMISS FOR PATENT MISUSE IN No. 36799.

Memorandum Opinion and Order: June 22, 1970

BATTISTI, C.J.

This is a mammoth case involving patent claims which have affected virtually the entire rubber and tire industry of the United States and, indeed, the free world. For all practical purposes, every controversy involving United States companies, together with Dunlop of England, have been settled in this Court over the past several years. Two cases remain which comprise, as will be seen, essentially one controversy and are ripe for trial: (1) General Tire v. Firestone, Civil Action No. 36799, for patent infringement, filed in Cleveland, Northern District of Ohio, on April 4, 1961; and (2) Firestone v. General Tire, Civil Action No. 67-206, for declaratory judgment of invalidity and non-infringement of General's patent, filed in Baltimore, District of Maryland, on March 30, 1961, and subsequently

transferred to this district under circumstances discussed below.

Each party has filed a motion to dismiss. General has moved to dismiss, alleging fraud on the part of Firestone; and Firestone has moved to dismiss, alleging patent misuse on the part of General. Each party claims its motion to be vital and dispositive of the controversy. Thus, these motions, in the order mentioned above, will be considered and resolved in this Memorandum.

I. The Fraud Issue in Case No. 67-206

General's motion to dismiss the Baltimore case is bottomed on alleged fraud by Firestone, which raises rather delicate problems of judgment. In this circumstance, it was hoped that this motion could be deferred until the end of the trial or disposed of by way of settlement of the case. However, it appears that this is a litigious situation promising to be protracted, difficult, and replete with charges and countercharges of wrongdoing. The parties have been at loggerheads for eight years, and their intransigence shows no signs of softening. After numerous pretrial conferences, it is still difficult to predict the format that the trial will take. In this situation, the Court feels it will be most beneficial to proceed to decide this motion on the completed oral arguments and the submitted briefs and appendices. It is hoped that in ruling on this matter the litigation can be molded into a reasonably coherent posture for trial.

A. Should Fraud Issue Be Re-Examined?

The threshold question is whether this Court ought to exercise its discretion to re-examine the findings made by the Baltimore court on October 17, 1966. General Tire brought a motion to dismiss this case or transfer the case to Cleveland on the basis of an alleged fraud on the part of Firestone in commencing the suit in Baltimore. In denying the motion to dismiss or transfer, the Baltimore court made specific findings. These findings, along with other factual

findings of no wrongdoing on the part of Firestone and its co-plaintiff, McCreary, included:

"Findings of Fact.

. . .

5. No fraud, serious or otherwise, has been practiced upon the Court by the plaintiffs.

6. There has been no effort by plaintiffs to practice fraud upon the Court." (264 F. Supp. 301.)

These findings were made by an experienced judge who had conducted the Baltimore trial for more than two years. They were made on a motion similar to the one presently before this Court.

Normally "one judge does not consider a point previously decided by another judge of coordinate jurisdiction, and hence such pre-transfer rulings should ordinarily stand." 1A *Moore*, Section 0.404(8), at 4230. Nevertheless, there is compelling reason to reopen and reconsider the allegations of fraud. This is not to suggest that the doctrine of "law of the case" is ignored. The Court of Appeals for the Fourth Circuit on January 11, 1967, reversed the order of Baltimore court denying the motion to transfer or dismiss, and issued a writ of mandamus, in the interest of judicial economy, directing the Baltimore court to dismiss or transfer the case to Cleveland. (373 F. 2d 361.) The language of the opinion of the Court of Appeals essentially cancels the findings of the Baltimore court on the fraud issue and invites a reconsideration of the allegations by this transferee court.

The opinion of the Fourth Circuit has been considered very carefully to determine what that court intended to do with the findings of the Baltimore court. There is language which is most troublesome to interpret. The Court of Appeals said:

"We do not feel it advisable at this stage in the lawsuit to pass on the district court's findings and con-

clusions with respect to General's contentions of bad faith and misrepresentation to the court. Without denigrating the importance of these issues in the ultimate assessment of costs between the parties, we think that their resolution in favor of Firestone should not have been determinative of the motion to transfer. Indeed we think the Court's preoccupation therewith caused it to overlook completely the factor which should have controlled the decision. That factor was the complete change of conditions which had taken place since the motion was originally denied. The failure resulted in an order which constituted an abuse of discretion." (373 F. 2d 361 at 368.)

Clearly, the Fourth Circuit's reason for ordering transfer was "the impelling need for efficiency in the administration of our court system. . . ." *Id*, at 368. It said, "We are unanimously of the opinion that the case should be transferred to the Northern District of Ohio in order to prevent an extravagantly wasteful and useless duplication of time and effort of the federal courts by the simultaneous trial of two complex and elaborate cases involving substantially the same factual issues." *Id*. at 362.

The Fourth Circuit, being expressly concerned with efficient administration, felt it advisable not to pass on the trial court's findings with respect to fraud. This does not mean they accepted these findings. Indeed, they criticized the Baltimore court for its preoccupation with these factors in deciding the motion to transfer or dismiss. The Court of Appeals *could have* passed on these findings, but it declined to do so. This avoidance was obviously intentional.

Yet the Court of Appeals saw the importance of the bad faith and misrepresentation issues and did not wish to denigrate them. What the Court of Appeals must have intended was not to nullify the findings, and also not to affirm them, but to invite the transferee court to reconsider them. Thus, it is concluded that the Fourth Circuit in-

tended to transfer this case unbound by prior determinations.

Moreover, the intention of the Court of Appeals can be inferred from the fact that it granted an extraordinary writ of mandamus directed against the Baltimore court's order of September 16, 1966, denying the motion. The Baltimore court's findings of October 17, 1966, could only have been made to support its September 16 order. In reversing that order, there was nothing to which the findings of fact on the fraud issue could attach. It would be strange indeed for the Court of Appeals to have ordered transfer of the case with freely-floating findings coming along with it.

Firestone relies on *United States* v. *First National Bank and Trust Co.*, 263 F.Supp. 268 (Ky. 1967) to argue that in granting General's motion to transfer on grounds of judicial economy it must be construed that the Court of Appeals lenied transfer or dismissal on the basis of fraud. In the *First National* case, the United States challenged a merger claiming violation of Sections 1 and 2 of the Sherman Act. The district court found for defendant on both counts. The Supreme Court reversed, holding that the merger violated Section 1, but noting that "in view of our conclusion . . . we do not reach the question posed under Section 2." 376 U.S. 665, at 673 (1964). Before the divestiture order, Congress enacted a statute which effectively nullified the Supreme Court ruling on Section 1. The United States thereupon attempted to reopen the case in the district court claiming a violation of Section 2. The Court held that since the Supreme Court did not reverse on the Section 2 claims, it was precluded by the "law of the case" doctrine from reconsidering the issue. The *First National* case, while being roughly similar in context, contains factors which lessen its pointed force. The ruling appealed in the *First National* case was a final order denying relief on the merits, whereas here the relief denied in

Baltimore was interim in nature and therefore not entitled to the same settled respect under the "law of the case" doctrine. 1B *Moore's Federal Practice*, 0.404(4). Also, *First National* dealt with violations of two separate substantive provisions of the Sherman Act. In the instant case, General's motion was in fact one motion, a motion to "transfer or dismiss." The motion was ruled on as one motion. This is not a mere detail of minor significance. The Fourth Circuit had all factors before it when it reversed the Baltimore court. The Supreme Court in *First National* could have very easily considered the Section 1 controversy without touching the Section 2 questions. Finally, there is a difference in interpretation when an appellate court does "not reach the question" as in *First National*, and when it deems it inadvisable to pass on the findings at the present time, prior to transfer, as in the case here. The former leaves the lower court's determination intact; the latter may, for a wide variety of reasons, lessen the vitality of the lower court's determination. For these reasons, this Court respectfully declines to follow the rule of the *First National* case.

The final factor inducing a decision to reconsider the fraud issue is that certain testimony before the Court of Appeals reveals that the Court, and particularly Judge Haynesworth, was deeply troubled by the fraud issue. Judge Haynesworth asked Mr. Irons to explain several statements made in the May 9, 1961, telephone conversation between Mr. Birch and Mr. McCreary, Sr. (General's Appendix, pp. 78-83.) It seems clear that Judge Haynesworth was not convinced by the explanation. This testimony was taken December 5, 1966, and thus was not seen by the Baltimore court. Pondering this testimony, it seems most reasonable to conclude that the Fourth Circuit was dubious about the findings made in Baltimore; but since it had determined to transfer the case to Cleveland, it was just as well to leave it for the transferee court to re-examine and resolve the fraud issue.

B. Examination of The Allegation of Fraud.

General alleges fraud in two separate respects. A brief review of the factual background is essential to understanding the nature of the fraud allegations. On December 13, 1960, the same day that General's patent was issued, General filed suits against Goodyear Tire & Rubber Company and United States Rubber Company in Cleveland, charging infringement of General's patent. At about the same time, General sent letters to Firstone, McCreary, and a number of other companies in the industry offering licenses. Firestone contends that it felt threatened with litigation if it did not capitulate. McCreary also maintained that it was under pressure (See Firestone brief, pp. 8-9). Determining the actual state of mind of these parties, plaintiffs in Baltimore, is unnecessary. It would seem that, at the very least, these parties were justly concerned with the Cleveland litigation; it was reasonable for them to assume that if they did not reach an accord with General, they would soon be involved in the Cleveland lawsuits. Firestone and McCreary filed a declaratory action in Baltimore on March 30, 1961; on April 4 and 6, General filed an infringement suit against these parties in Cleveland. It is the intentions of Firestone and McCreary in filing this suit which form the basis of General's first allegation of fraud.

General contends that Firestone began the Baltimore declaratory julgment, not in a good faith effort to adjudicate rights, but as part of a conspiracy with United States Rubber and Goodyear to set off a "backfire" on the Cleveland litigation. General says that the purpose of the declaratory judgment suit was to divide General's legal personnel between Baltimore and Cleveland in an attempt to wear down General and to delay and disrupt the Ohio litigation.

Numerous pieces of evidence and facts are presented by General to support the allegation that a conspiracy to ob-

struct the courts was intended. The evidence presented consists of communications between lawyers for Firestone and Goodyear and United States Rubber, communications between Firestone and McCreary. The key fact in the conspiracy allegation is a meeting of counsel for Firestone, Goodyear, and United States Rubber on March 16 and 17, 1961, and notes of Mr. Irons referring to a "backfire."

The evidence offered to show that a conspiracy to obstruct the courts was undertaken is not persuasive. Conspiracy and fraud may be proved by circumstantial evidence, *Madsen* v. *United States*, 165 F.2d 507 (10th Cir. 1948), but may not be proved by innuendo and unsupported inferences. General wants this Court to take the fact of meetings and communications and some rather random words, and import all manner of malicious intentions. Weighing this evidence, the Court can take only reasonable inferences; it cannot be asked to work itself into fancy plottings. Firestone has come forward with considerations which reasonably explain these occurrences. For example, conferences between counsel representing parties with a common interest are an appropriate and usual practice. The Court cannot infer malice and dishonor from a set of facts when those same facts are just as susceptible to an interpretation of innocent and proper behavior. Therefore, it is found that there is insufficient evidence on which to find as a fact a conspiracy on the part of Firestone to join with others to obstruct the Cleveland litigation.

General's second contention is that Firestone perpetrated a fraud on the Baltimore District Court in that it misrepresented to the Court the status of its co-plaintiff, McCreary. General alleges that Firestone, fearing that if it began suit alone in Baltimore it was likely that the case would be transferred to Cleveland, sought out McCreary as a co-plaintiff because McCreary was more immune to transfer.

It is important to note what General has not alleged and what is not before the Court. It is not before the

Court whether Firestone properly could have consulted with McCreary before filing in Baltimore, or could have encouraged McCreary to file in Baltimore. Neither is it a question whether McCreary could properly have been a co-plaintiff with Firestone in Baltimore as a completely dependent party if this had been accomplished openly. Rather, the issue is whether General has shown by clear and convincing evidence that Firestone misrepresented certain facts concerning McCreary's relationship with Firestone in order to prevent a transfer of the case to Cleveland.

The record unequivocally reveals that counsel for Firestone and McCreary did represent to the Baltimore court that McCreary was an independent party and not a "little patsy" of Firestone's. Mr. Irons told the Baltimore court at the July 6, 1961, hearing on the first motion to transfer that: "He (McCreary) can, perhaps, derive some benefit from his association with Firestone, but he comes here independently, and not as Firestone's agent or cat's paw, and I think that should be clearly understood." (General's Appendix, pp. 62-4). Mr. Irons filed an affidavit on June 30, 1961, asserting McCreary was "wholly independent of Firestone" (Appendix, p. 57). These are but some of several instances of Firestone's assertions. The record is also clear that Firestone and McCreary did represent to the Court that there was no written or oral agreement between them relating to the participation of McCreary in the conduct of the litigation (General's Appendix, pp. 65, 92, 133).

The Court has been persuaded on the evidence presented by General that these representations were false and therefore constituted a fraud on the Court. The independent status of McCreary is severely undermined by clear and convincing evidence. The fact that McCreary and Firestone shared the same counsel, Firestone's counsel, the statement by McCreary that he would be guided by Firestone's counsel 100%, and that McCreary would be as active as counsel want them to be (General's Appendix,

pp. 30-31), are indicative of a lack of independent status. Most compelling is the dictaphone belt recording of a conversation between Mr. McCreary and Mr. Birch on May 9, 1961, wherein a billing arrangement was agreed on whereby McCreary would pay one per cent of the cost of the litigation. So, the colloquy between Mr. Irons and Judge Haynesworth, wherein Irons tried to explain certain language, such as, "I don't want to put anything in the mail, and I don't want to talk about it too much, for obvious reasons"—leads to the inference that there was an attempt to conceal something of importance in the May 9, 1961, call. It is clear from the recording that Firestone's counsel was taking steps, through a billing arangement, to obviate the charge that McCreary was a "little patsy." Marshalling all this evidence, the Court is convinced that the one per cent billing arrangement was in fact a sham perpetrated by Firestone on the Baltimore court.

C. Remedies

In its motion to dismiss, General argued that a finding of fraud in the transferred Baltimore case should preclude Firestone from contesting the validity of General's patents, as well as dismissing the declaratory judgment action. This would leave for trial only the infringement issue. After much consideration, the Court declines to adopt this course, for the reasons and authorities set out below.

Counsel for General Tire conceded in oral argument that there exists no authority whereby the fraud of an alleged infringer, in and of itself, caused a patent held by an adverse party to be declared valid, or operated to estop such a wrongdoer from contesting the validity of a patent. Firestone has cited several cases which expressly declined to validate a patent on the grounds of fraud or unclean hands. There is a strong public interest which encourages a hearing of defenses to patents; the monopoly aspects of patents demand that their validity be scrutinized. *Heath* v. *Frankel*, 153 F.2d 369 (9th Cir. 1946); *Pleachaty Co.* v.

Heckett Engr., Inc., 145 F.Supp. 805 at 806 (N.D. Ohio 1956); *Bulldog Elect. Prods. Co.* v. *Westinghouse Elect. Corp.*, 162 F.2d 994 (2d Cir. 1947); *Trott* v. *Cullen*, 86 F.2d 141 (10th Cir. 1936).

General attempts to meet the authorities by contending that the public interest has in fact been adequately protected in this case. General emphasizes that the whole tire industry, save Firestone, has settled with General and taken licenses. General further points out that Judge Holtzoff already held a hearing with respect to the patent at issue. But the issue before Judge Holtzoff was only whether the patent should issue. Therefore, it cannot be construed as a full-blown hearing on the validity of the patent. Likewise, the fact that the rest of the tire industry has elected to take out licenses instead of contesting the validity of General's patent does not remove the public interest in contesting patent monopolies. On the contrary, the public interest must be explored now, or it never will be. In conclusion, the Court declines to hold General patent valid on the basis of Firestone's fraud.

While General's patent may not be rendered valid by virtue of Firestone's fraud, General's further contention that the Baltimore case should be dismissed has considerable merit. The district court has discretion to exercise jurisdiction in a declaratory judgment action. Factors which may be considered are: (1) whether hearing the declaratory judgment action would eliminate uncertainty between the parties, (2) whether the plaintiff's legal rights would be adequately protected if it were not heard, and (3) equitable defenses including the conduct of the parties. 3 Baron and Holtzoff, *Federal Practice and Procedure* 1266 (1958); *Abbott Laboratories* v. *Gardner*, 387 U.S. 136 (1966).

The Court will consider Firestone's defenses in the Cleveland case. Therefore, any uncertainty will be disposed of therein, and Firestone will be adequately pro-

tected because it retains the right to contest the validity of General's patent and to contest infringement. The inequitable conduct of Firestone in misrepresenting the status of McCreary in Baltimore is a clear-cut case of unclean hands. For the foregoing reasons, the Baltimore case is ordered dismissed. See *Lumberman's Mutual Casualty Co.* v. *Quick*, 257 F.Supp. 252 (1966). All defenses, and all litigable issues therein, will be consolidated into the Cleveland case. The parties may enter into the Cleveland case the relevant portions of the Baltimore record. The parties may agree on the most expeditious means of making the Cleveland record.

The Court deems it to be the wisest course to defer ruling on the matter of costs, attorneys' fees, and punitive damages until such time in the future as it will be appropriate. It goes without saying that the Court considers the fraud which it has found to be a very serious breach of professional ethics. The question of costs is, however, a very delicate area. To go into it now would serve only to exacerbate the feelings of the parties. It must be remembered that the Court finds fraud in misrepresentation of the status of a party; the facts were insufficient to find a conspiracy to obstruct justice.

II. Patent Misuse, Case No. 36799

Firestone has moved to dismiss, asserting that General is guilty of patent misuse and, therefore, is not entitled to relief in the courts from patent infringement and its complaint must be dismissed.

[This portion of the opinion, dealing with the alleged patent misuse, has been omitted from this Appendix since it is not relevant to the questions presented in the Petition for Writ of Certiorari.]

Consequently, General is not guilty of any misuse of its patent in these provisions.

Conclusion

Firestone's motion to dismiss is overruled. The Court finds that the questioned provisions in the settlement agreements between General and its licensees fail to form sufficient evidence of patent misuse. Despite Firestone's ingenious arguments, the fair and reasonable interpretations of these settlement provisions admit of no conclusion that General was (1) attempting to extend its monopoly or (2) conspiring to restrict its independence.

The Court has now considered all motions which have prevented the commencement of the trial of this case. It is now ripe for trial. The Court would have liked to find some valid grounds to dismiss in these motions, because the litigation appears to be endless. It appears that such solution is not to be found in motions, but in the reasonable attitude of the parties. This controversy should be settled. In lieu of this happy consequence, the trial shall commence on September 28, 1970.

/s/ Frank J. Battisti
Chief Judge

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

Civil Action No. 12932

THE FIRESTONE TIRE & RUBBER COMPANY

v.

THE GENERAL TIRE & RUBBER COMPANY

[264 F.Supp. 291]

Memorandum on Defendant's Renewed Motions To Transfer and To Impose Sanctions

The defendant, The General Tire & Rubber Company (General), has renewed its motion of April 13, 1961 to dismiss or transfer, and its motion of September 6, 1963, to transfer, this case to the United States District Court for the Northern District of Ohio, Eastern Division. Defendant further moves that sanctions be imposed upon plaintiffs,[1] including General's attorney fees and expenses arising from the prosecution of Civil Action No. 12,932, and an equal amount "against plaintiffs payable to the Court to compensate for plaintiffs' gross imposition upon the Court and hardship caused other litigants by plaintiffs' fraudulent monopolizing of over two and one-quarter years of the Court's time . . . [and] for such other penalties, sanctions, and relief as the Court may see fit."

The Court is also requested to enter certain proposed Findings of Fact.

The motions are stated to be based, "in addition to the grounds set forth in the documents supporting the previous transfer motions, upon newly discovered evidence which

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[1] Plaintiff McCreary and defendant General have reached a settlement and the Amended Complaint of McCreary has been dismissed with prejudice.

was kept from defendant by plaintiffs, although it was in the possession and control of one or both plaintiffs and known by them prior to the transfer motions of April 13, 1961 and September 6, 1963. The motions are also brought following the suggestions of the Court of Appeals in Case No. 10,429, at pages seven and eight of its opinion. [General Tire & Rubber Company v. Watkins, 4 Cir. 1966, 363 F. 2d 87, 89-90]."

Significantly, there is no renewal of, or even mention of, defendant's motion of October 12, 1965, seeking, among other things, a dismissal of the declaratory judgment action of McCreary Tire & Rubber Company (McCreary), a dismissal of the declaratory judgment action of The Firestone Tire & Rubber Company (Firestone), or in the alternative, a dismissal of the non-infringement portions of the declaratory judgment action; and to charge Firestone and McCreary "with costs, expenses and attorney fees resulting from their improper declaratory judgment action and conduct", and such additional relief as the Court may consider proper.

No mention is made of the Supplemental Statement filed by defendant on October 26, 1965, in support of the motion filed October 12, 1965. This Supplement is primarily related to meetings in March 1961, purportedly involving the relationship of Goodyear Tire and Rubber Company and United States Tire and Rubber Company to this litigation.

Finally, no mention is made of this Court's ruling on December 13, 1965, denying the motion of October 12, 1965 as supplemented on October 26, 1965, raising substantially the same contentions as are made herein, nor of the Court's oral opinion thereon (Transcript, pages 26,987-27,010).

In General Tire and Rubber Company v. Watkins, supra, the Court of Appeals said (363 F. 2d at pages 89-90):

> "Since the oral argument McCreary and General Tire have filed certain papers in this court in an

effort to amplify the record. They are bottomed upon what purports to be a tape recording of a telephone conversation between a former president of McCreary and one of the lawyers for Firestone. It is suggested that there was falsity in the plaintiffs' representations—in opposition to General's original motion to transfer the case to Ohio—that McCreary was an independent party prosecuting the case at its own expense. These representations may well have been the determinative factor in the denial of the transfer motion. If they were in fact untrue, it appears that the plaintiffs may have practiced a serious fraud upon the District Court.

"However, these papers are not germane to the present petition for mandamus to disqualify the District Judge, and the propriety of the earlier motion to transfer is not now before us. If the tape recording constitutes newly discovered evidence warranting reconsideration of the motion to transfer or any other relief, or the imposition of any sanction, it should first be presented to the District Court, with a motion stating what relief is claimed. After a hearing, the District Court will be in position to determine the authenticity of the tape recording, the truth and materiality of any representations made to the court earlier, and to grant whatever relief may be appropriate.

"After the District Court has acted upon an amplified record, this court can entertain any issue appropriately brought up for review. Until then, any application based upon the tape recording or a claim of earlier misrepresentation should be addressed to the District Court."

Neither side has asked to take further testimony, or otherwise to amplify the record. However, oral argu-

ment was had on September 19, 1966, and on September 26, 1966, the Court advised counsel that the motion had been denied—this memorandum states the reasons therefor.

In its Memorandum in support of the present Motions defendant says (pages 1-2):

> "Pursuant to this clear invitation of the Court of Appeals, defendant has renewed its April 13, 1961 motion to dismiss or transfer and its September 6, 1963 renewed motion to transfer. The foundation for the present renewed motion is the *newly discovered evidence* comprising DX 1840, the 'backfire' memorandum, and the dictaphone recording of the May 9, 1961 telephone conversation between Mr. Birch and Mr. Harry C. McCreary, Sr. (R. 33,325-33,330." (Emphasis supplied).

DX 1840 was filed September 30, 1965, well before this Court's opinion of December 13, 1965, denying defendant's motion to dismiss as supplemented (which raised issues presently before the Court) so that the only "newly discovered evidence" is the dictaphone recording, certain papers in McCreary's files (McCreary Exhibit 1-7), and the testimony with respect thereto. This Court might well confine its consideration to the significance, if any, of this newly discovered evidence on the claim of fraud. Since, however, the charge is so serious, and defendant attacks the professional integrity of Firestone's attorneys, including the credibility of Firestone's house counsel, who is also an attorney, although not engaged in court appearances, the Court will consider all of the grounds advanced by defendant in defendant's Memorandum and proposed Findings of Fact.

1. *The Origin of this Litigation.*

Defendant contends that Firestone brought this action at the invitation of Goodyear and U. S. Rubber to delay and disrupt the Ohio litigation. Reference is made to a claimed "backfire" suggestion of Mr. Kenyon; the signifi-

cance of DX 1840; and the claim is made that the dictaphone recording showed that some secret agreement existed between Firestone and McCreary. The same contentions, including the one that there was an undisclosed agreement between Firestone and McCreary (but not, of course, relying upon the dictaphone belt), were made by defendant in its Memorandum in support of its October 12, 1965 motions; together with an attack upon the "chameleon testimony" of Clark, Firestone's house patent counsel.[2]

These contentions, except as to the significance of the dictaphone belt, were in effect found to be lacking in merit by this Court's ruling and oral opinion of December 13, 1963 (Transcript, pages 26,987-27,010, and especially 26,991, where there is a reference to the "backfire"; and 26,991-26,993 where the New York conferences are mentioned).

However, that there may be no doubt, the Court, after a consideration of the record, and particularly the testimony of Mr. Clark, both by way of deposition and in open court; DX 1840; and the exhibits to defendant's Supplemental Statement, filed October 26, 1965, finds that the substance of the New York conference on March 17, 1961 is as stated by Clark in Transcript, pages 22,230-22,244; that the conference was initiated by Clark to consider trial tactics by Firestone, including the place where a declaratory judgment suit should be filed and the possible effects of an earlier decision in either the Cleveland, Ohio litigation or where Firestone might sue; that the instant litigation was not at the suggestion or request of United States Tire and Rubber Company and/or Gezdy or Tire and Rubber Company, but was a bona fide and independent effort on the part of Firestone to secure an adjudication in a circuit other than the Sixth Circuit; that the joinder of McCreary

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[2] This attack is repeated in defendant's Response to Plaintiff's Proposed Findings in opposition to defendant's Motions to dismiss or transfer, to transfer and for the imposition of sanctions.

was a last minute idea, stimulated by the inclusion in the draft complaint of a reference to an alleged world-wide license; and that no fraud was attempted or perpetrated upon the Court as to the origin of the litigation.

This finding is made because the Court is satisfied that the witness Clark testified honestly in his deposition and in court. The Court has also taken into consideration his general demeanor on the stand and that the discrepancies, if any, were insubstantial; and that his inabilities to recall were because of, and consistent with, the passage of time and the absence of memoranda kept by him.[5] These conclusions are fortified, as to the March 17, 1961 meeting, by the Answers to Interrogatories, filed by defendant on October 26, 1965, with respect to Messrs. Kenyon and Mandelbaum, attorneys for United States Rubber Company, and Mr. J .A. Fowler, Jr., attorney for Goodyear Tire and Rubber Company. Messrs. Kenyon and Mandelbaum are reported as stating, with regard to Transcript, pages 22,230-22,234, that "So far as concerns their recollection of the events that occurred at the meeting of March 17, 1961, their recollection is in general[6] in accord with the aforesaid testimony." As to Mr. Fowler, reference is made to Mr. Clark's testimony on September 30, 1965, and it is stated:

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[5] On reaching these conclusions the Court has considered McCreary exhibits one through seven submitted by Mr. Walter J. Blenko, Jr. at the time of the hearing of April 26, 1966 in this court and has found the discrepancies, if any, between Clark's testimony and Mr. McCreary Sr.'s memoranda relating to their communications prior to the filing of the instant suit insubstantial and of no materiality on the issues involved in the current motions.

[6] Defendant apparently argues that because Messrs. Kenyon and Mandelbaum agreed "in general" they should have stated any particulars in which they did not agree. The Court construes the statement attributed to them to mean that while they might have used language different from Clark's, in substance they agreed with him. Clearly their language does not permit of a construction that they disagreed on any material aspect or statement.

"Mr. Clark in his answers stated his recollection or speculation, and Mr. Fowler is not in a position to disagree with such answers."

2. *The "Agreement" between Firestone and McCreary.*

The question of agreement between Firestone and McCreary as to McCreary's responsibility seems to have been considered under four topics or aspects—(a) indemnity or hold harmless; (b) dependence or independence; (c) liability for expenses; and (d) "secret." These will be considered in the same order.

(a) Indemnification or hold harmless.

All the testimony, and the answers to an appropriate interrogatory are to the effect that there never was any agreement by Firestone to hold McCreary harmless, or to indemnify it, with respect to this litigation. Except as it may be implicit in the claimed "secret" agreement [5] there is no serious contention that any such indemnification or hold harmless agreement existed.

The Court finds as a fact that there was no such agreement.

(b) Dependence or independence of McCreary.

The testimony and exhibits have consistently shown that McCreary had some sort of responsibility with respect to the cost, including attorneys' fees, of this litigation. In that respect only, may McCreary be said not to have been completely independent of Firestone, in that Firestone was to bear the bulk of the expenses.

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[5] Since the terms of a "secret" agreement are necessarily not known except to the alleged parties, arguably the agreement could be all-embracive, or limited to a single point. Defendant has not sought to enlighten the court as to what the terms of the supposed secret agreement are.

Other than financial, the record on relationship is as follows:

. . . . . .

McCreary's conduct in 1966, while it does not prove, is at the very least entirely consistent with, independence of Firestone in the conduct if this litigation, in and since 1961—and the Court finds this to be the fact, except as to McCreary's obligation to pay a share of the litigation expenses.

(c) McCreary's undertaking to pay a share of the litigation expenses.

It has, at least since July 6, 1961, been clear to this Court that some agreement or arrangement existed between Firestone and McCreary pursuant to which McCreary was to bear some portion of the litigation expenses, having relationship to the volume of production of the two companies. The order in which this developed (which is not the chronological order of the events themselves) is as follows:

. . . . . .

The Court finds as a fact that from March 30, 1961 McCreary was aware that it would be billed for part of the litigation costs; that in fact it has been billed for one percent thereof; that this was a bona fide arrangement, with no agreement that in fact, ultimately, Firestone would bear all the costs or repay to McCreary any payment made by McCreary; and that this arrangement, understood by this Court on December 13, 1965, is consistent with the dictaphone recording of the telephone conversation on May 9, 1961, offered in court on April 26, 1966.

(d) The "secret" agreement.

As previously indicated, the terms of the alleged secret agreement between Firestone and McCreary have not been

developed, and no proffer with respect thereto has been made. The court's finding must therefore necessarily be negative in nature. It is that there is no evidence legally sufficient to prove, or even to justify an inference as to, the existence of a secret or undisclosed agreement between Firestone and McCreary as to the conduct of this litigation, or the payment of the expenses thereof.

3. *Representations as to the effect of the joinder of McCreary.*

There appears to be at least an implication [10] that this court was misled into the belief that the joinder of McCreary might prevent transfer to Cleveland. In fact, plaintiffs' counsel at the July 6, 1961 hearing stated flatly that he did not so contend; that transfer was possible. The court was fully aware of this throughout the case, as indicated in its oral opinion of December 13, 1965 (Transcript, page 26,994).

It has been suggested that the fact that McCreary was an independent party prosecuting the case at its own expense may well have been a determinative factor in the denial of the first motion by defendant to transfer, that is defendant's motion of April 13, 1961 to dismiss or transfer, although the record is clear that the court was fully aware that McCreary's joinder did not prevent transfer (as indicated above) and although the court was fully aware that had Firestone desired to gain a technical advantage, suit could have been brought solely by McCreary with a silent, subsurface undertaking by Firestone com-

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[10] Defendant's Exhibit D to Memorandum in Support of Renewed Motion.

pletely to indemnify and save harmless McCreary."[18] That the court did not consider the fact that McCreary was an independent party prosecuting this case at its own expense a factor, much less a determinative factor, militating against transfer is evidenced by the court's oral opinion of July 6, 1961 denying the first transfer motion and its memorandum of October 14, 1963, denying the second transfer motion, in neither of which is the independence of McCreary, or the sharing of expenses, relied upon as a reason for the denials.

While the court has endeavored to cover the major points, the above memorandum does not purport to be exhaustive. The Court has however carefully considered all the memoranda and exhibits filed by the parties, all transcript references and exhibits to which reference has been made, and the transcript of the oral arguments of counsel, upon the whole of which it makes the following general and ultimate

Findings of Fact

1. McCreary was an independent party throughout the entire period herein involved and still is an independent party.

2. McCreary agreed to and in fact did bear its proportionate share of the cost of litigation.

3. There is no evidence legally sufficient to prove, or even to justify an inference as to, the existence of a secret

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[18] "When the suit was filed, McCreary was a bona fide customer of Firestone as to oil extended rubber for tread stock and camelback. As such, Firestone could have solicited McCreary to bring the suit as sole plaintiff on an undertaking by Firestone completely to indemnify and save McCreary harmless. A fortiori, the open participation by Firestone and at least partial sharing of costs by McCreary is not improper. See Wheeler v. Denver, 1913, 229 U.S. 342, and see also Schnell v. Eckrich & Sons, 1961, 365 U.S. 260. (Oral opinion of December 13, 1965; Transcript, pages 26,993-26,994).

or undisclosed agreement between Firestone and McCreary as to the conduct of this litigation, or the payment of the expense thereof.

4. The fact that McCreary was an independent party prosecuting the case at its own expense, proportionally, was not a factor, much less a determinative factor, in the denial of the defendant's motion of April 13, 1961 to dismiss or transfer."

5. No fraud, serious or otherwise, has been practiced upon the Court by the plaintiffs.

6. There has been no effort by plaintiffs to practice fraud upon the Court.

CONCLUSIONS OF LAW

1. No fraud has been practiced upon the Court by the plaintiffs.

2. There has been no effort by plaintiffs to practice fraud upon the Court.

3. The renewed motions of April 13, 1961 to dismiss or transfer, of September 6, 1963 to transfer, and the motion for the imposition of sanctions, are each and all without merit, and should be and are denied.

R. DORSEY WATKINS
United States District Judge.

October 17, 1966.

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[17] It is probable that if fraud were in fact intended, it would be immaterial whether or not the court had actually been misled. Hazel Atlas Glass Co. v. Hartford-Empire Co., 1944, 338 U.S. 238, 247; Keystone Driller Co. v. General Excavator Corp., 1933, 290 U.S. 240.

However, because of the language of the Court of Appeals that the alleged false representations "may well have been the determining factor in the denial of the transfer motion" (363 F.2d at page 69) this Court thought it advisable to make Finding 4.